

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 AGR-05 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-01 PA-01 PRS-01 USIA-06 /093 W

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R 280800Z FEB 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 0000

INFO AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA 2567

E.O. 11652: GDS

TAGS: EAGR, ETRD, RP

SUBJECT: NEW LONG-TERM MARKETING PROPOSAL FOR PHILIPPINE SUGAR

1. SUGAR TRADE SOURCES INFORM EMBASSY THAT MANILA WAS RECENTLY VISITED BY EUROPEAN SUGAR BROKER NAMED VARZANO, WHO REPORTEDLY IS LEBANESE NATIONAL RESIDENT PARIS. VARZANO ALLEGEDLY BROUGHT HERE BY BOBBY BENEDICTO, PHILIPPINE AMBASSADOR TO JAPAN, WHO HAS ACTIVE ROLE IN SUGAR TRADING.

2. SOURCES STATE THAT VARZANO AND BENEDICTO PROPOSED TO PRESIDENT MARCOS AND PHILIPPINE NATIONAL BANK (PNB) THAT THEY COULD UNDERTAKE TO MARKET ALL SUGAR WHICH PREVIOUSLY CONSIGNED TO U.S. UNDER SUGAR QUOTA LEGISLATION. THEY WOULD BE FINANCED IN THIS OPERATION BY JAPANESE GROUP LED BY MARUBENI AND MITSUBISHI.

3. PURPOSE OF MARKETING ARRANGEMENT WOULD BE TO DIRECT SUGAR TO ALL POTENTIAL WORLD BUYERS, INCLUDING UNITED STATES, DEPENDING ON WHERE PRICES WERE HIGHEST. ALTHOUGH JAPANESE MARKET WOULD BE MAJOR CONSUMER, U.S. WOULD PROBABLY

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TAKE BULK OF SALES UNDER THIS ARRANGEMENT THROUGH JAPANESE

INTERMEDIARIES.

4. INVOLVEMENT OF VARZANO IN THIS SCHEME WOULD PRIMARILY BE IN ORDER TO TAP HIS EXPERTISE ON PRICING POLICY, IN WHICH PNB ADMITTEDLY DEFICIENT. VARZANO WOULD WORK FOR SMALL PERCENTAGE FEE (LESS THAN ONE PERCENT) OUT OF SIX AND ONE-HALF PERCENT FEE WHICH CURRENTLY ALLOCATED TO PNB.

5. MERRILL, LYNCH, ETC., HAS ALSO APPROACHED PNB TO OFFER ITS SERVICES AS PRICE CONSULTANT IN SUGAR TRADE. HOWEVER, THIS PROPOSAL SEEMS DIRECTED TOWARDS GUIDING PNB INTO DIRECT MARKET SALES TO U.S. PURCHASERS RATHER THAN THROUGH JAPANESE CUT-OUT.

SULLIVAN

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Message Attributes

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